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EUR FOR JGARBER

EUR/NCE FOR LLOCHMAN, BPUTNEY

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E.O. 12958: DECL: 02/25/2018

TAGS: ENRG EPET ETTC IR PL PREL

SUBJECT: PGNIG MOU COULD LEAD TO \$2 MILLION INVESTMENT IN IRAN

REF: A. WARSAW 188

1B. WARSAW 171

1C. STATE 11589

1D. WARSAW 141

Classified By: ECONOMIC COUNSELOR RICHARD RORVIG, REASONS 1.4 B,D

11. (C) Summary. PGNiG Executives told post that the agreement recently signed with Iran's Offshore Oil Company is a Memorandum of Understanding to discuss future cooperation in gas exploration and development. The next step would be another agreement to invest up to \$2 million in seismic surveys or a test well. PGNiG executives were unfamiliar with the Iran Sanctions Act and its consequences. Post believes political pressure will be necessary to stop the company, which is essentially state-owned, from investing in Iran. End Summary.

12. (C) Deputy Economic Counselor met with PGNiG (Polish Oil and Gas Company) Executives Piotr Gliniak, Director of Exploration and Production, Rafal Oleszkiewicz, Managing Director of Strategy Department, and Marek Dzaman, Director of LNG Division to discuss PGNiG's recent signing of an agreement with Iranian Offshore Oil Company (IOOC) and PGNiG's strategic plans.

13. (C) Gliniak, PGNiG Director of Exploration and Production confirmed that PGNiG executives signed an MOU for cooperation in Teheran in early February, ref a. Gliniak, who was in Teheran and negotiated the MOU, stated that the MOU does not commit PGNiG to do more than to discuss future cooperation in gas field exploration and production. The agreement is to develop jointly an existing onshore field. PGNiG would then need to conclude another agreement to do a test well and/or seismic survey which they estimate to cost approximately \$2 million. Gliniak would not speculate on a time line for such an undertaking. Gliniak emphasized that Poland needs to reduce its dependency on Russian gas, and Iranian gas would provide that diversity. When asked if PGNiG had been able to conclude a contract for LNG with another country, Dzaman said that they were close, but that no deal was signed so he did not want to discuss further.

14. (C) Deputy Econ Counselor gave the executives ref c talking points. Econoff emphasized that the Iranian threat is real and that the USG will continue to talk to GOP officials about our concerns and urge them to stop any investment in Iran by PGNiG. She also detailed the GOP officials the Embassy and Washington have talked to about the Iran Sanctions Act (ISA), refs a and b, underlining our concerns that Polish cooperation with Iran at this time sends

the wrong signal to the Iranian government. Gliniak complained that he did not understand why PGNiG should not operate in Iran and why the U.S. would counsel against such actions as "everyone else is there - French, Brits, Germans, Saudi's, even American companies." When asked which U.S. companies were operating in Iran, and how, Gliniak would not explain. None of the three admitted familiarity with ISA and its provisions, although Gliniak was quite defensive in explaining PGNiG's reasons for looking for operating prospects in Iran. All three were adamant that Iran provides a real alternative to Russian gas, thereby ensuring Poland's energy security. Deputy Econ Counselor offered to provide PGNiG the relevant ISA legislation and to discuss further at PGNiG's convenience.

¶5. (C) Comment: PGNiG executives seemed genuinely surprised that their proposed exploration in Iran would lead to potential problems under the ISA. Given the popular perception in Poland that any Russian gas is bad, it will be difficult to convince the company to discontinue cooperation with Iran without political pressure. However, PGNiG is still a basically state-owned enterprise, with the Ministry of Treasury owning 84.75% of shares, while 15.25% is sold on the Warsaw Stock Exchange. For this reason, it is possible that political pressure could stop the company's cooperation with Iran. Post plans to continue discussing USG concerns with the appropriate Polish officials at every appropriate opportunity.

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